



### 3 Extremely Cheap Stocks Trading Below Book Value

#### Description

The markets have been doing well in 2019, but there are still some sectors that have undervalued stocks that have some great buying opportunities. Below are three stocks that are trading below their book values and that could be great additions to your portfolio.

**Cenovus Energy** ([TSX:CVE](#))([NYSE:CVE](#)) has been trading below book value for [some time](#), although things have been improving for the company. It isn't involved in aggressive hedging anymore, and the company could benefit from a more stable price of oil. Unfortunately, for many oil and gas stocks, a volatile commodity price has made investors hesitant. However, if we see fewer fluctuations, it will be easier for investors and analysts to project and forecast how Cenovus and other companies might perform, making it easier to make investment decisions.

At a price-to-book ratio (P/B) of just 0.8, investors can buy Cenovus at a very good discount today. Year to date, the stock has risen by more than 20%, and even though 2018 was not the strongest year for Cenovus, it was still able to climb to almost \$15.

Investors might be concerned about the company's financials being in the red for four straight quarters, but Cenovus has generated strong free cash flow in four of its past five reporting periods. The stock does possess some risk, but it also has a lot of potential upside as well.

**AltaGas** ([TSX:ALA](#)) is in a similar situation to Cenovus, with the oil and gas industry weighing down its share value. Although AltaGas is a bit less exposed, that doesn't mean it is any less impacted, especially with a strong presence in an Albertan economy dependent on the industry. Another challenge for the company has been its acquisition of WGL Holdings, which hasn't gone very smoothly; ultimately, AltaGas had to slash its dividend.

The stock trades closer to its book value than Cenovus at a P/B of 0.9. It's still a very cheap price for a stock that within the past year was trading at over \$28, nearly 60% higher than where it is now. However, whether it's able to climb that high will depend on if conditions in the industry improve and if it's able to build on its recent results.

**Home Capital Group** ([TSX:HCG](#)) is another stock that's still recovering from a [bad year](#). Although

Home Capital was rocked by scandal rather than a weak commodity price, it hasn't been any easier of a path for the lending company. And with mortgages being more difficult to get and concerns about a possible recession looming, it isn't getting any easier for the company to attract investors.

However, Home Capital has improved significantly over the past year with each of the past five quarters showing steady sales and earnings. The downside is that there hasn't been much growth. Trading at a P/B of just 0.6, it's still a very undervalued stock given the fact that it's cleaned up its operations, although its image might still be a bit damaged. Now that things have stabilized, the stock could be a good long-term buy, as investors slowly warm up to investing in Home Capital again.

## CATEGORY

1. Investing

## TICKERS GLOBAL

1. NYSE:CVE (Cenovus Energy Inc.)
2. TSX:ALA (AltaGas Ltd.)
3. TSX:CVE (Cenovus Energy Inc.)
4. TSX:HCG (Home Capital Group)

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